

**Testimony of Louis F. Rossiter, Ph.D.**  
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**“Covering Uninsured Kids: Missed Opportunities for Moving Forward”**  
**Before the**  
**Subcommittee on Health of the**  
**Committee on Energy and Commerce**  
**Tuesday, January 29, 2008**

Good morning Chairman Pallone, Representative Barton, Representative Nathan, and distinguished members of the Subcommittee. I am pleased to be here today to discuss missed opportunities in covering uninsured families. I am a health economist with Medicaid experience at The Centers for Medicare & Medicaid Services (CMS) (1990 -- 1992), and responsibility to the Governor of Virginia on the implementation and operation of our State Children’s Health Insurance Program (SCHIP or FAMIS in Virginia) (2000 – 2002). More recently, I co-authored the Medicaid chapter in a recent Brookings Institution Press book (edited by Alice Rivlin of the Brookings Institution and Joe Antos of the American Enterprise Institute) entitled *Restoring Fiscal Sanity 2007: The Health Care Spending Challenge*. Based upon this and other research I want to share three missed opportunities represented by HR 3963 and why significant improvements can be made.

***Number One Missed Opportunity: Align SCHIP with Welfare Reform***

No one wants uninsured children. Yet, SCHIP should not be renewed without alignment with Welfare Reform<sup>1</sup>: There are three principles that the current SCHIP violates:

1. “focus on work”

2. “have real work requirements” with “money now spent on welfare and food stamps [redirected] to subsidize private sector jobs”
3. “have real incentives to reward states who put people to work”.

The provisions of the SCHIP (1997) program are a step backward from the Welfare Reform (1996), passed just one year prior. The capped-grant feature of SCHIP is an improvement over the perverse incentives of Medicaid (Weil and Rossiter 2007). But rather than maximizing group health coverage, our experience with SCHIP fosters all-or-nothing welfare-like coverage and:

1. Encourages uninsurance due to switched coverage for children who may already have access to group coverage and a lag in the period of coverage
2. Fragments coverage for families and lures parents to drop their own group coverage
3. Encourages small employers with low-income workers to abandon coverage

We know we are trading off “two for one” – we buy two uninsured children SCHIP coverage at the cost of existing coverage for one child. The trade off rises to “one to one” at the higher income levels. One reason is that SCHIP does not focus on work.

### ***Number Two Missed Opportunity: Understanding Health Insurance Trends***

What is wrong with having more children covered by P-SCHIP even though it means crowding out private coverage? Since enactment of SCHIP, the rate of employer-sponsored insurance has declined and the uninsurance rate increased. No one really understands why. While we might say these trends would have been worse without SCHIP, with millions of children covered by SCHIP, neither can we rule out an SCHIP effect on all of these families. SCHIP is obviously helping some children but could be harming the U.S. health insurance system and our ability to cover even more children.

***Number Three Missed Opportunity: Group Health Insurance for Small Firms with Low-Wage Workers***

To bring SCHIP into alignment with Welfare Reform and ensure that the unintended consequences of SCHIP are minimized, the authorizing legislation needs to be rewritten this Spring to accomplish the following:

- A. “Focus on work” and gradually eliminate the Medicaid-expansion option the states have under SCHIP. Medicaid expansion programs let the states cop-out of the hard work involved with organizing and subsidizing group health insurance. SCHIP should be separate from Medicaid, focused on work for the parents and used to subsidize private-sector jobs.
- B. “Have real work requirements” on SCHIP participation and cover families, not just children. A welfare recipient must work for benefits. The parents of an SCHIP recipient do not. Whenever possible, to strengthen the link to group coverage, the states should have a sensible work requirement.
- C. “Have real incentives for states who can place people” into publicly organized and subsidized group health insurance<sup>2</sup>. Do not merely establish a task force for nationwide education and outreach for small business (HR 3963). Revise all of the provisions in HR 3963 to demand that the states aggressively establish programs separately from Medicaid -- as 18 states have done -- and rapidly grow the separate programs we already have. Low income parents should face stiff provisions to enroll their children and use the benefits appropriately. Ten years of voluntary SCHIP outreach programs is not cost-effective use of public funds. Government requires all sorts of things from parents including immunizations, the paying of taxes and the provision

of child support. We should have similar provisions for subsidized health insurance for them and their children.

It is sad when a child goes on Medicaid. We should set the goal of reducing, not increasing, the number of children on Medicaid. Bringing SCHIP into alignment with the original principles of Welfare Reform is an opportunity we do not want to miss.

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<sup>1</sup> President Clinton on Welfare Reform, National Governors' Association Summit on Small Children June 6, 1995. <http://www.libertynet.org/edcivic/welfclin.html> accessed January 26, 2008

<sup>2</sup> Rosenbaum, Sara, Borzi, Phyllis C., Smith, Vernon. 2001: Allowing Small Businesses and the Self-Employed to Buy Health Care Coverage through Public Programs. *Inquiry*: Vol. 38, No. 2, pp. 193–201.